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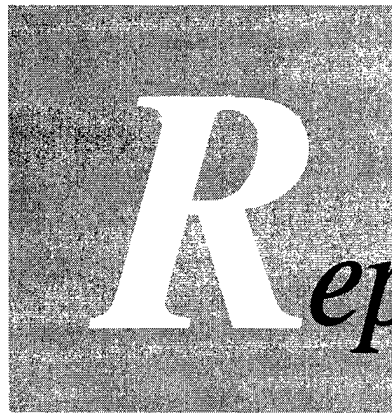
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valuation



report



THE DEFENSE SUPPLY CENTER RICHMOND
QUALIFIED PRODUCTS LIST PROGRAM

Report No. D-2002-013

November 2, 2001

Office of the Inspector General
Department of Defense

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Acronyms

ASSIST	Acquisition Streamlining and Standardization Information System
DLA	Defense Logistics Agency
DSC	Defense Supply Center
FAR	Federal Acquisition Regulation
GIDEP	Government Industry Data Exchange Program
NSN	National Stock Number
PQDR	Product Quality Deficiency Report
PVP	Product Verification Program
QAS	Quality Assurance Specialist
QML	Qualified Manufacturers List
QPL	Qualified Products List
SAMMS	Standardized Automated Material Management System



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

November 2, 2001

MEMORANDUM FOR DIRECTOR, DEFENSE LOGISTICS AGENCY
COMMANDER, DEFENSE SUPPLY CENTER
RICHMOND

SUBJECT: Evaluation of the Defense Supply Center Richmond Qualified Products
List Program (Report No. D-2002-013)

We are providing this report for your information and use. We considered management comments on a draft of this report when preparing the final report. The Defense Logistics Agency comments were fully responsive.

Comments on the draft of this report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, additional comments are not required.

We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Mr. Kenneth H. Stavenjord at (703) 604-8952 (DSN 664-8952) (kstavenjord@dodig.osd.mil) or Mr. Chandra P. Sankhla at (703) 604-8917 (DSN 664-8917) (csankhla@dodig.osd.mil). See Appendix C for the report distribution. The evaluation team members are listed inside the back cover.

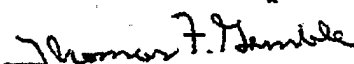

Thomas F. Gimble
Acting
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for Auditing

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Office of the Inspector General, DoD

Report No. D-2002-013
(Project No. D2001PT-0023)

November 2, 2001

**The Defense Supply Center Richmond
Qualified Products List Program**

Executive Summary

Introduction. This report is a review of the Defense Supply Center (DSC) Richmond Qualified Products List (QPL) Program. A subsequent report will provide a similar review of the Defense Supply Center Columbus. The DSC Richmond QPL Program was started in 1995 when the Military Departments transferred the management of 40 Military Specifications containing qualification and associated Qualified Products Lists to the Defense Supply Center Richmond. The Standardization Program Branch of the Product Development Directorate was assigned the responsibility of managing the QPL Program. Because the Defense Supply Center management directed the Standardization Program Branch to work on another higher priority program, no personnel were assigned to a cost code for Qualified Products Lists administration, management, or maintenance. No labor hours were recorded for time spent on Qualified Products Lists maintenance and administration. However, the Qualified Products Lists management estimated that 1 staff-year was devoted to the Qualified Products Lists Program in FY 2000.

Objective. Our objective was to evaluate the Defense Supply Centers' Quality Assurance Programs. Specifically, we evaluated the effectiveness of the Defense Supply Center Richmond Qualified Products List Program.

Results. An effective product qualification process was not realized at DSC Richmond. DSC Richmond could not conduct facility audits, adequately maintain the QPL Program's list of Government designation status and qualified manufacturers (and authorized distributors), or monitor QPL-related product deficiencies. As a result, the Government could not obtain the benefits of the QPL Program, and the users were at a higher risk of receiving nonconforming products. For details of the evaluation results, see the Finding section of this report.

Summary of Recommendations. We recommend that the Commander, Defense Supply Center Richmond, fully implement the procedures specified in the Department of Defense and Defense Logistics Agency regulations to qualify products; to review specifications and recertify products; to provide product quality deficiency reports to the qualified products list management; and to require that the databases contain complete, pertinent, and current information that can distinctly identify qualified national stock numbers.

Management Comments. The Defense Logistics Agency fully concurred with all recommendations listed in the evaluation report on Defense Supply Center Richmond Qualified Lists Program and proposed to take corrective measures by specific dates to rectify the weaknesses highlighted in the report. The Defense Logistics Agency agreed to direct the Defense Supply Center Richmond to provide adequate training to Qualified Products Lists Program personnel, to perform a baseline review of specifications

having requirements for qualification to determine the need to continue qualification requirement, to review and delineate the Program Center and Qualification Activity responsibilities with respect to Qualified Products Lists product nonconformance, and to revise the applicable Richmond Center Directive. The Defense Logistics Agency also agreed to build an additional table into the Defense Supply Center Richmond Decision Support Database to link qualified national stock numbers to Qualified Products Lists and its associated Qualifying Activity to determine whether the Qualified Products Lists are managed by the Military Departments or by Defense Supply Center Richmond.

Evaluation Response. The Defense Logistics Agency management comments are fully responsive.

Background

Congress mandated the Qualified Products List (QPL) Program in 1956. Section 2451, title 10, United States Code (10 U.S.C. 2451), "Defense Supply Management," August 1956, required the Secretary of Defense to develop a single catalog system and related program of standardizing supplies for the Department of Defense. Title 10, U.S.C., 2451 further stated that the Secretary of Defense should ensure efficient use of the services and facilities for inspecting, testing, and accepting supplies. Section 2452, title 10, United States Code (10 U.S.C. 2452), "Duties of the Secretary of Defense," required the Secretary to develop and maintain the supply catalog and the standardization program as described in 10 U.S.C. 2451. The Federal Acquisition Regulation (FAR) subpart 9.2 "Qualification Requirements," implemented 10 U.S.C. 2319 and 41 U.S.C. 253c and prescribed policies and procedures regarding qualification requirements and acquisitions that were subject to such requirements. Sections 9.201 and 9.203 of the FAR defined and described QPL and Qualified Manufacturers List (QML).

The QPL Program aims to increase buying productivity and enhance logistics management operations by establishing a list of products that have met the qualification requirements stated in the applicable specification. The requirements will also include appropriate product identification and test or qualification reference with the name and plant address of the manufacturer and distributor as applicable for select commodities. Instead of source inspections and product verifications, quality levels are maintained through periodic recertification of the manufacturer by the Government, use of deficiency reporting information provided by the user, and product quality control procedures maintained by the manufacturer. The intended results are shorter lead times for acquisition and procurement, reduced test costs, and improved readiness through continuous availability of reliable products from viable suppliers. Policies and procedures for the Qualification Program (QPL and QML) are contained in Appendix B of DoD Manual 4120.24-M. Some of its salient features are discussed as follows.

Qualifying Potential Products, Processes, and Materials. Qualification is the process by which products, processes, or materials of manufacturers or distributors are independently examined and tested to determine whether they conform to specification requirements before they are acquired. Products and manufacturers that successfully pass the qualification process are then identified on a list of qualified products or qualified manufacturers. Criteria to retain qualification are applied periodically to ensure continued integrity of the qualification status.

Maintaining the Product Quality. Once added to a QPL, the manufacturer, the user, and the Government are responsible for maintaining product quality. The manufacturer maintains adequate process and quality control procedures to ensure that items continually comply with all specification requirements, reports deficiencies disclosed during testing, and ensures that delivered items conform to all requirements. The user ensures that the qualified products comply with

the specification requirements by reporting nonconformances and by submitting periodic summaries of quality control monitoring results that reveal adverse quality and reliability trends.

Review and Recertification. The Preparing Activity must review specifications that require qualification every 2 years to determine the need to continue the qualification requirement. The specification review process shows whether more definitive requirements for the product, advances in manufacturing techniques and quality control methods, or improvements in testing apparatus and techniques have eliminated the need for qualification. The recertification process determines whether the listed product or products are manufactured at the same plants shown on the listing and whether they are being manufactured under the original conditions as when first qualified. The process also determines whether the plants have remained under the same management. To obtain qualification approval of products, one of the following actions is required: a. Certification by the manufacturer (submittal of a DD 1718 Form "Certification of Qualified Products"; b. Periodic submission of new test data, as may be required in the specification; or c. Complete requalification testing, as may be required in the specification or by the Qualifying Activity.

QPL Program at Defense Supply Center Richmond. The QPL Program at Defense Supply Center (DSC) Richmond began in 1995 when it inherited ownership of 40 QPLs from the Military Departments. At the present time, DSC Richmond manages 31 QPLs and related specifications for 3,843 qualified national stock numbers (NSNs) which are procured from 93 qualified manufacturers and distributors. These 3,843 qualified NSNs include tachometers, wire rope, ball bearings, pressure gauges, cable, and batteries and are among 930,000 NSNs procured by DSC Richmond.

DSC Richmond comprises three key divisions that contribute to the maintenance of its QPLs. These are Product Development, Planning and Resource Management, and Business Operations. The primary management of the QPLs is the responsibility of the Standardization Program Branch of the Standardization and Hazardous Materials (Hazmat) Information Division, a subset of the Product Development Group (Figure 1). That branch follows DoD Manual 4120.24-M to manage the QPL Program and is responsible for administering the qualification program, maintaining current specifications, and ensuring the manufacturers' compliance with qualification requirements. All specifications and corresponding QPLs are maintained in Defense Logistics Agency (DLA) Acquisition Streamlining and Standardization Information System (ASSIST).

The Systems and Procedures Division of Planning and Resource Management serves as the focal point for receiving complaints in the form of Product Quality Deficiency Reports (PQDRs), providing entry to the Customer Depot Complaint System (CDCS), and distributing the complaints to an appropriate quality assurance specialist (QAS) for investigation, resolution, and response. Each QAS provides quality assurance support to a Product Center that is assigned the management and procurement responsibilities for a group of NSNs, including QPLs. Upon receiving a complaint, the QAS assesses the need for

investigation, initiates the necessary corrective actions for the reported defective items, and coordinates with other elements and Components within DSC Richmond as applicable.

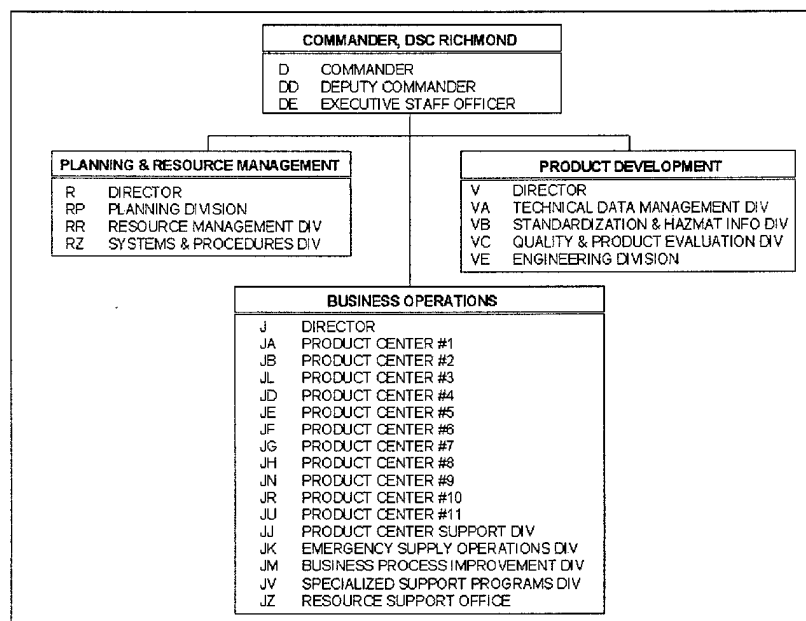


Figure 1. QPL Related Organizational Components

Objective

Our objective was to evaluate the Defense Supply Centers' Quality Assurance Programs. Specifically, we evaluated the effectiveness of the Defense Supply Center Richmond Qualified Products List Program.

Effectiveness of Management of the Qualified Products List Program

DSC Richmond did not have an effective product qualification process because it did not implement procedures for the QPL Program as required by regulations and because it did not formulate internal QPL policy to define the responsibilities of the participants in the program. Further, DSC Richmond could neither conduct facility audits nor adequately maintain the QPL Program's list of Government designation status and qualified manufacturers (and authorized distributors) because it had not organized a trained staff to fully implement qualification procedures. In addition, DSC Richmond could not monitor product nonconformances because the appropriate mechanisms had not been instituted between those receiving reported deficiencies and those maintaining the QPLs. As a result, the Government could not obtain the benefits of the QPL Program, and the users were at a higher risk of receiving nonconforming products.

Guidance and Implementation of Programs

DoD Manual 4120.24-M, "Defense Standardization Program (DSP), Policies and Procedures," March 2000 provides procedures for establishing Qualified Products List (QPL) and Qualified Manufacturers List (QML) Programs. Defense Standardization Program Office Document, SD-6, "Provisions Governing Qualification for QPL and QML Programs," dated August 1999 provides guidance for manufacturers and their authorized distributors who want to submit products for qualification. The QPL Program was not working effectively at DSC Richmond. Some of the DSC Richmond QPL Program management issues are discussed as follows.

QPL Program Policy. DoD as well as DLA have provided detailed QPL policies and procedures. Although the QPL Program management followed the guidance provided in the DoD 4120.24-M, DSC Richmond had neither formulated nor implemented an adequate in-house policy to integrate the QPL Program into the facility's operations. The successful execution of the QPL Program required shared responsibilities among the DSC Richmond components, the user, and the contractor. A study of DSC Richmond's internal operations and data from deficiency reporting demonstrated poor coordination among the participating components and a lack of resources for adequate management.

QPL Resources. The Standardization Program Branch of the Product Development Directorate was assigned the responsibility of the management of the QPL Program in 1995. However, at that time, the Defense Supply Center management directed the Standardization Program Branch to work on another

higher priority program. Consequently, from 1995 to 2000 the Standardization Program Branch worked on the Specification Reform Program. Although the management of the QPL Program was funded by the Product Centers, the management did not designate specific individuals to maintain the QPL Program. No personnel were assigned to a cost code for QPL administration, management, or maintenance. No labor hours were recorded for time spent on QPL maintenance and administration. However, total resources devoted to the QPL Program in FY 2000 were estimated by QPL management at 1 staff-year.

Facility Audits. The DoD Manual 4120.24-M states that facility audits for products should be conducted when required in the specification or when otherwise necessary to ensure product compliance with the specification requirements. Audits may include survey of inspection systems, quality and reliability assurance programs, test facilities, processes, materials, production facilities, test capability, incoming inspection training, and product traceability. As of November 29, 2000, the DSC Richmond QPL management had neither conducted any facility audits nor had trained a group for such work.

Review of Specification and Recertification of QPLs. The DoD Manual 4120.24-M required the Preparing Activity to review specifications that required qualification every 2 years to determine the need to continue the qualification requirement. The recertification process occurs by either having the manufacturer complete a "Certification of Qualified Products Form" or, if required, retesting of products because of changes to the specifications. Specifications are reviewed to determine the need for continued qualification. Only 4 of the 31 QPLs and 23 of those 31 Military Specifications containing qualification requirements managed by DSC Richmond were up to date (Figure 2).

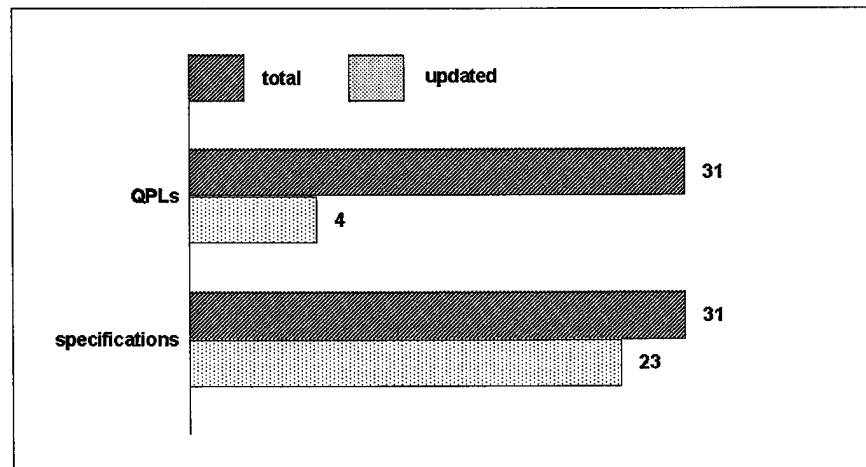


Figure 2. Current Status of Recertification and Review of DSC Richmond's QPL Program

Deficiency Reporting Program. DoD Manual 4120.24-M mandates that the buying activity provide feedback data based on field information to the qualifying activity. However, at DSC Richmond, problems existed with the QPL Program's ability to acquire such feedback and monitor nonconforming qualified products. DSC Richmond did not establish adequate mechanisms between the QPL management and the Product Centers to identify potential quality problems among QPL products. As a result, QPL management could not adequately monitor its product deficiencies and could not take corrective actions against nonconforming QPL products.

This was demonstrated by our review of three types of PQDRs received from two sources, the depots and the Product Verification Program (PVP). PQDRs from customer complaints received through the depots were classified as either Category I or II. A Category I PQDR was defined as a deficiency that could cause death, injury, or major damage to a weapon system. Category II PQDRs were defined as those deficiencies not meeting the criteria for Category I. The third type of PQDR was generated internally as a result of PVP random testing.

Since 1995, a total of 77 PQDRs were received at DSC Richmond addressing problems with qualified NSNs, 70 of which were related to critical items. Followup evaluations by the Product Centers for 70 of those PQDRs were conducted and closed. The closed evaluations included 1 Category I-, 62 Category II-, and 7 PVP-related PQDRs. Of the 77 PQDRs, only one, a Category II PQDR, was coordinated with the DSC Richmond QPL management. The problem was related to the failure of aircraft cabling whose manufacturer was subsequently removed from QPL-83420 in 1999. As of November 29, 2000, seven evaluations were open but had not been coordinated with QPL management. Those included six Category II and one PVP-related PQDRs.

QPL and NSN Relationship. Effective management of the QPL Program requires ready access to current and pertinent information. When the Inspector General, DoD, requested QPL-related information, DSC Richmond spent several hours or days retrieving and providing the information from their databases. The QPL Program management had significant difficulties in identifying and acquiring QPL data. Difficulties included accessing basic information regarding specification to NSN relationships and associated QPLs. Prior to our visit on November 29, 2000, DSC Richmond was not aware of which NSNs were QPL NSNs. Moreover, the QPL data that we acquired from DSC Richmond resources were neither complete nor reliable and needed additional refinement to distinguish the QPLs managed by the Military Departments from those managed by DSC Richmond.

Conclusion

The success of a QPL Program requires that responsibilities be distributed among the user, the manufacturer, and DSC Richmond. To receive the benefits of the program, each party must fulfill its obligations to maintain adequate process and quality control procedures to ensure that items continually comply with all specification requirements. At DSC Richmond, these mechanisms have not been successfully implemented because of a lack of internal QPL policy and dedicated resources. Because DSC Richmond has not organized a trained staff to fully implement qualification procedures, it could not conduct facility audits which are necessary for evaluating a manufacturer's product quality and reliability assurance. Furthermore, the lack of an adequate qualifying organization has contributed to problems associated with maintaining DSC Richmond's specifications and QPLs. Also, without reviewing deficiency reports, the DSC Richmond QPL management could not effectively monitor product quality. Consequently, most product center corrective actions to resolve reported nonconformances for a qualified part are not reflected in the associated contractor's status on a QPL. In summary, many of the quality control mechanisms essential for the establishment of a successful QPL Program are not in place at DSC Richmond. Because many of their qualified products are designated as critical, customers receiving items from QPLs may be subjected to significant risks.

Management Comments on the Finding and Evaluation Response

Although the DLA management concurred with all four recommendations, they made specific comments pertinent to some paragraphs of the report. The comments pertained to the history of the DSC Richmond QPL Program and the congressional mandate for initiating a QPL program. QML Program was not included in the congressional mandate. The comments also included explanation of qualification, certification and recertification requirements of products for inclusion into QPLs, and replacement of reference document SD-6 with a more appropriate reference, DOD Manual 4120.24-M.

Evaluation Response. The DLA management comments were constructive. The comments provided additional factual information on the DSC Richmond QPL Program and terms. We incorporated the suggested changes.

Recommendations and Management Comments

Recommendations 1. and 2. were revised as a result of the DLA management comments to replace references to the Defense Standardization Program Office Document SD-6, "Provisions Governing Qualification for QPL and QML Programs with DoD Manual 4120.24M, Defense Standardization Program (DSP), Policies and Procedures." A line was added to Recommendation 1. after the words "qualify products" as follows: "...and to adequately monitor qualification programs to ensure products that are listed on QPLs meet specification requirements."

We recommend that the Commander, Defense Supply Center Richmond:

1. Fully implement the procedures specified in the DoD Manual 4120.24-M, "Defense Standardization Program (DSP), Policies and Procedures," March 2000 to qualify products and to adequately monitor qualification programs to ensure products that are listed on Qualified Products Lists meet specification requirements.

Management Comments. DLA concurred and proposed to take corrective action by ensuring that the personnel responsible for managing the QPL Program have adequate levels of training and experience with all the processes necessary to maintain a comprehensive and effective QPL Program. The training of Defense Supply Center Richmond personnel by the DSC Columbus QPL personnel will be accomplished by the end of calendar year 2001 and training course work to achieve Level II certification in Manufacturing, Production, and Quality Assurance will be accomplished by the end of calendar year 2003.

2. Fully implement the procedures specified in the DoD Manual 4120.24-M to review specifications and recertify products.

Management Comments. DLA concurred and proposed to take the following corrective actions. DLA directed the Preparing Activity at Defense Supply Center Richmond to perform a baseline review of specifications having requirements for qualification to determine the need to continue qualification requirement. The review began in July 2000 and should be completed by January 2002. Further, the Qualifying Activity at DSC Richmond was tasked to send recertification letters to suppliers and distributors and visit manufacturing facilities, as necessary, to verify compliance with specification requirements. This process was also started in July 2000 and should be completed by January 2002. After the QPLs are updated, the DSC Richmond will perform the recertification process every 2 years as mandated by DoD Manual 4120.24-M.

3. Provide Product Quality Deficiency Reports information to the Qualified Product List managers at the Defense Supply Center Richmond, the Defense Logistics Agency, and to the Military Departments to update the Qualified Products Lists.

Management Comments. DLA concurred and proposed to take corrective action by reviewing Product Center responsibilities with the Defense Supply Center Richmond Technical/Quality Council and by revising DSCR Directive 4120.A, Standardization Program, to clearly delineate the Program Center and Qualification Activity with respect to QPL product nonconformance. The revision of the DSCR Directive 4120.A will be completed by January 2002. DLA also proposed to conduct training sessions for all technical and quality assurance personnel at each Product Center. Training is expected to be accomplished by the end of July 2002.

4. Require that the databases contain complete, pertinent, and current information that can distinctly identify qualified national stock numbers and determine whether the Qualified Products Lists are managed by the Military Departments or by Defense Supply Center Richmond.

Management Comments. DLA concurred and proposed to take the following corrective actions. DSC will build an additional table into the DSC Richmond Decision Support Database to link qualified NSNs to QPLs and its associated Qualifying Activity to determine whether the QPLs are managed by the Military Departments or by DSC Richmond. The additional table should be completed by the end of March 2002. DSC Richmond will also establish a quarterly report by the end of July 2002 to facilitate management oversight of the NSNs against QPLs, as the report will link the DSC managed NSNs with their procurement specifications for the Standardization Program Branch.

Appendix A. Evaluation Process

Scope and Methodology

To accomplish the evaluation objective, we studied DSC Richmond management of the QPL Program including qualification process, maintenance of specifications and list of contractors, and its response to quality related problems associated with QPL items.

We conducted the evaluation from October 4, 2000, through March 2001 in accordance with standards implemented by the Inspector General, DoD. We reviewed the DSC Richmond organizational structure, QPL related maintenance actions, and reported deficiencies against qualified products. We obtained and reviewed DSC Richmond's 31 QPLs containing 3,843 items and analyzed data from 3 deficiency reporting programs: PQDR, PVP, and Government Industry Data Exchange Program (GIDEP). We evaluated Category I and II types of nonconformances in the 77 nonconformances attributed to the QPL items managed by DSC Richmond. Results of the evaluation provided insights into the effectiveness of the program and the adequacy of its quality control efforts.

DoD-Wide Corporate-Level Government Performance and Results Act Coverage. In response to the Government Performance and Results Act, the Secretary of Defense annually establishes DoD-wide corporate-level goals, subordinate performance goals, and performance measures. This report pertains to achievement of the following goals and subordinate performance goals:

- **FY 2001 DoD Corporate-Level Goal 1:** Shape the international environment and respond to the full spectrum of crises by providing appropriately sized, positioned, and mobile forces. **(01-DoD-01)**
- **FY 2001 DoD Subordinate Performance Goal 1.3:** Maintain the capability to move military forces from the United States to any location in the world in response to aggression, using a combination of airlift, sealift, and pre-positioned equipment. **(01-DoD-1.3)**
- **FY 2001 DoD Corporate-Level Goal 2:** Prepare now for an uncertain future by pursuing a focused modernization effort that maintains United States qualitative superiority in key warfighting capabilities. Transform the force by exploiting the Revolution in Military Affairs, and reengineer the Department to achieve a 21st century infrastructure. **(01-DoD-02)**
- **FY 2001 DoD Subordinate Performance Goal 2.4:** Meet combat forces' needs smarter and faster, with products and services that work better and cost less, by improving the efficiency of DoD acquisition processes. **(01-DoD-2.4)**

General Accounting Office High-Risk Area. The General Accounting Office has identified several high-risk areas in DoD. This evaluation provides coverage of the DoD Weapon Systems Acquisition high-risk area.

Use of Computer-Processed Data. We analyzed and evaluated data related to the QPL items managed by the DSC Richmond from the CDCS, the Defense Logistics Agency's SAMMS, ASSIST databases, and the GIDEP database. We did not establish the reliability of the data because the scope of our evaluation was limited to identifying the number of procurement transactions DoD acquisition organizations conducted between 1995 and 2000. Not establishing the reliability of the data did not materially affect the results of our evaluation because the results were used for trend analysis purposes.

Evaluation Type, Dates and Standards. We performed this evaluation from October 2000 through March 2001 according to standards implemented by the Inspector General, DoD.

Contacts During the Evaluation. We visited or contacted individuals or organizations within and outside DoD. Further details are available on request.

Management Control Program Review

DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, and DoD Instruction 5010.40, "Management Control (MC) Program Procedures," August 28, 1996, require DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate adequacy of the controls.

Scope of Review of Management Controls. We reviewed the management control program related to the overall evaluation objectives and determined that the pertinent management controls concerning QPL/QML Programs were inadequate (see the Finding section).

Adequacy of Management Controls. DSC did not fully implement procedures for the Qualified Products List Program as required by regulations and directives. No internal Qualified Products List Program policy was formulated to define the responsibilities of DSC Richmond's participants in the program. DSC Richmond could neither conduct facility audits nor adequately maintain the QPL Program's list of specifications and contractors because it had not organized a trained staff to fully implement qualification procedures. In addition, DSC Richmond could not monitor product nonconformances because the appropriate mechanisms had not been instituted between those receiving reported deficiencies and those maintaining the qualified products lists.

Adequacy of Management's Self-Evaluation. DSC Richmond management did not identify management of the QPL Program as an assessable unit and, therefore, did not identify or report the QPL management control weaknesses identified by the evaluation.

Prior Coverage

Inspector General, DoD

Inspector General, DoD, Report No. D-2001-054, "Defense Logistics Agency Product Verification Program," February 21, 2001

Inspector General, DoD, Report No. D-2001-002, "Defense Logistics Agency Customer Returns Improvement Initiative Program," October 12, 2000

Inspector General, DoD, Report No. 98-063, "Defense Logistics Agency Product Quality Deficiency Program," February 5, 1998

Inspector General, DoD, Report No. 95-166, "Defense Contract Management Command Management of Quality Assurance Resources," April 11, 1995

Appendix B. Qualified Products List Program

A QPL is appropriate for items of supply that have a stable design or composition and will be continually available for an extended period of time. These criteria make it practicable to qualify individual products for the QPL without incurring prohibitive testing costs. The primary benefit of the QPL is that it improves the availability of products and shortens the procurement process because long or highly complex evaluations and tests of products are completed before the contract is awarded. A QPL also allows the manufacturer to provide, and the purchaser to obtain, satisfactory precontractual evidence that a product or a family of products has been tested and has met the requirements of the applicable specification. The purpose of the QPL Program is to reduce acquisition and procurement lead-time, reduce test costs, improve readiness through continuous availability of reliable products from viable suppliers, and establish the requirements for evidence of manufacturer's capability in advance of acquisition.

To originate a QPL, a preparing activity must justify the need to establish a requirement for a qualifying activity with the DLA Department Standardization Office. Once approved, the qualifying activity, which is assigned by the preparing activity, advertises to manufacturers and distributors to submit for qualification those products that can meet specification requirements so a listing can be established after a new specification has been issued. The qualification process begins when an application for qualification is received from a manufacturer. If required in the specification, the QPL staff conducts a facility audit that comprises an evaluation of the manufacturer's quality and reliability assurance programs, test facilities, processes, materials, production facilities, test capability, incoming inspection, training, and product traceability. If the product or process qualified under the requirements of the applicable specification, the item would be added to the QPL.

Role of Deficiency Reports in a QPL Program

When a nonconformance of a qualified product is reported, the QPL management is required to evaluate the severity of the problem and to initiate corrective actions. The actions include notifying the appropriate agencies of the nonconformance, having the manufacturer conduct a self-audit and prepare verification actions, and if the conditions for retention are not met, removing the product from a QPL. The maintenance component of the program relies on deficiency reporting systems for information regarding the problems associated with a particular manufacturer or part.

The PQDR Program was established to identify and report deficiencies related to defective Government-owned products. The PQDR Program maintains a database of information regarding reported nonconformances, testing failures,

and design flaws of Government-owned parts including qualified products. The PQDR Program enables DSCs to exchange information about necessary corrective actions throughout the acquisition and support process, and to maintain a history of contractor quality. In addition, the PQDR Program provides the initial reporting, cause, correction, and status of customer product quality deficiencies. The guidance states that the investigative data gathered from the PQDR Program should be used to identify problems, trends, and recurring deficiencies detected on new or newly reworked Government-owned products.

The key program participants include the deficiency report originator, screening point, and the action point. The deficiency report originator documents product quality deficiencies in a standard format using facsimiles or e-mail to the applicable screening points. Screening points exist in all Military Departments and are responsible for validating the adequacy and category classification of the report before forwarding it to the action point. They also maintain a PQDR database containing information on the original report, results of the investigation, and a summary code.

PQDRs are designated by two categories: Category I and Category II. Category I is defined as a product quality deficiency which could:

- cause death, injury, or severe occupational illness; could cause loss or major damage to a weapons system;
- critically restrict the combat readiness capabilities of an organization; or
- result in a production line stoppage.

A Category II deficiency report is defined as a product quality deficiency, which does not meet the Category I criteria.

PQDRs are also generated as a result of test failures from product verification testing. The PVP verifies conformance of material to contract specifications and uses a supplier's past performance for future source selections and best value contracting decisions. Laboratory testing and product inspection are used as tools to verify that items conform to prescribed technical requirements (drawings, specifications, technical data, and item descriptions). Material may be identified for inspection or testing by the Government before or after acceptance; however, the emphasis is on inspection and testing of processes before they are accepted. Product verification efforts are prioritized by assuring conformance of critical items and items with the highest potential failure costs in preference to noncritical and low potential failure cost items. Materials are selected for inspection or testing from contractor's plants, incoming receipts, existing stock, or the Military Departments.

When a Defense Supply Center receives a PQDR, it is required to investigate the cause, obtain test and investigation results, and initiate corrective action for both contractor and Government attributable product quality deficiencies. Also, as appropriate, the action point alerts activities and storage depots within the action component of the suspect material. Prior to the PQDR closeout action,

the cause of the problem is evaluated by the Product Center QAS and the screening points of known military users are notified of the results of the investigation and corrective action.

Appendix C. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition, Technology, and Logistics
Under Secretary of Defense (Comptroller)
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)

Department of the Army

Auditor General, Department of the Army

Department of the Navy

Naval Inspector General
Auditor General, Department of the Navy

Department of the Air Force

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Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Government Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Government Affairs
House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on Government Efficiency, Financial Management, and Intergovernmental Relations, Committee on Government Reform
House Subcommittee on National Security, Veterans Affairs, and International Relations, Committee on Government Reform
House Subcommittee on Technology and Procurement Policy, Committee on Government Reform

Defense Logistics Agency Comments

Final Report
Reference



DEFENSE LOGISTICS AGENCY
HEADQUARTERS
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FT. BELVOIR, VIRGINIA 22060-6221

IN REPLY
REFER TO

J-33

AUG 22 2001

MEMORANDUM FOR DoD IG

SUBJECT: Draft DoD IG Audit Report on the Evaluation of the Defense Supply Center Richmond's Qualified Products List Program, Project No. D2001PT-0023, dated June 15, 2001

The Defense Logistics Agency (DLA) concurs with all recommendations in the subject draft report on Defense Supply Center Richmond (DSCR), and proposes to take corrective measures as stated in Attachment 1. General comments on the implementation of the Department of Defense (DoD) Qualified Products List (QPL) Program at DSCR, and specific comments regarding the factual accuracy of certain parts of the draft report are both included in Attachment 2.

The DoD QPL Program is important to the fulfillment of DLA's mission. We appreciate the opportunity to comment on the draft report. Questions may be referred to Mr. William Lee, Technical Services, (703) 767-1641; or Ms. Annell Williams, Internal Review office, (703) 767-6274.

HAWTHORNE L. PROCTOR
Major General, USA
Director
Logistics Operations

Attachments
DLA Comments

**DRAFT EVALUATION REPORT
EVALUATION OF THE DEFENSE SUPPLY CENTER RICHMOND
QUALIFIED PRODUCTS LISTS PROGRAM, June 15, 2001
(PROJECT NO. D200IPT-0023)**

Pg 4

Finding: An effective product qualification process was not realized at Defense Supply Center Richmond (DSCR) because DoD 4120.24-M, Defense Standardization Program Policies and Procedures, was not fully implemented, and DSCR's internal QPL policy did not fully define the responsibilities of the participants in the program. Further, DSCR could not conduct facility audits; adequately maintain the Qualified Products List (QPL) Program's list of government designation status and qualified manufacturers; nor fully monitor QPL-related product deficiencies. As a result, the Government could not obtain the benefits of the QPL Program, and the users were at a higher risk of receiving nonconforming products. See page 4 of the draft report for details.

DLA Comments: Concur.

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Recommendation No. 1: Fully implement the procedures specified in the DoD Manual 4120.24-M "Defense Standardization Program (DSP), Policies and Procedures", March 2000 and Defense Standardization Program Office Document, SD-6, "Provisions Governing Qualification for QPL and QML Programs", to qualify products.

DLA Comments: Concur. DSCR proposes to take corrective actions as stated below.

- a. Ensure that personnel responsible for managing the QPL Program have an adequate level of training and experience with all the processes necessary to maintain a comprehensive and effective QPL Program. Personnel designated to manage QPLs have attended a training session conducted on their behalf by qualified experienced staff at Defense Supply Center, Columbus (DSCC). All DSCR personnel managing the QPL Program will accompany DSCC staff on at least one field trip to a manufacturer's facilities for additional training with ECD: by the end of calendar year 2001.

Disposition:

- (X) Action is ongoing. ECD: By the end of calendar year 2001
() Action is considered complete.

- b. All personnel assigned to manage QPLs are taking training courses at the Defense Acquisition University (DAU) to receive Level II certification in Manufacturing, Production and Quality Assurance. The DAU Level II certification will enhance and lend credence to the personnel qualifications. The DAU training should be complete with ECD: by the end of calendar year 2003.

Disposition:

- (X) Action is ongoing. ECD: End of calendar year 2003
() Action is consider complete.

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Recommendation No. 2: Fully implement the procedures specified in the DoD Manual 4120.24-M "Defense Standardization Program (DSP), Policies and Procedures", March 2000 and Defense Standardization Program Office Document, SD-6, "Provisions Governing Qualification for QPL and QML Programs", to review specifications and recertify products.

Attachment 1

DLA Comments: Concur. DSCR proposes to take corrective actions as stated below.

- a. The Preparing Activity at DSCR will perform a baseline review of specifications having requirements for qualification to determine the need to continue qualification requirement. Specifications will be updated to remove the requirement for qualification when appropriate. A review of all specifications having qualification began in July 2000 and should be completed with ECD by end of January 2002. Thereafter, DSCR will perform the required maintenance review of specifications having requirements for qualification every two years to determine the need to continue qualification requirement as mandated by DoD Manual 4120.24-M.

Disposition:

- (X) Action is ongoing. ECD: By end of January 2002
- () Action is considered complete.

- b. The Qualifying Activity at DSCR will initiate the process to generate recertification letters to suppliers and distributors listed on QPLs, and follow up with field visits to manufacturing facilities, as necessary, to verify compliance with specification requirements. This process began in July 2000 and should be completed with ECD: by the end of July 2002, with QPLs updated accordingly. Thereafter, DSCR will perform the recertification process every two years as mandated by DoD Manual 4120.24-M.

Disposition:

- (X) Action is ongoing. ECD: End of July 2002
- () Action is consider complete.

Recommendation No. 3: Provide Product Quality Deficiency Reports information to the Quality Product List managers at the Defense Supply Center Richmond, Defense Logistics Agency and to the Military Departments to update the Qualified Products Lists.

DLA Comments: Concur. DSCR proposes to take corrective actions as stated below.

- a. Review Product Center responsibilities with the DSCR Technical/Quality Council and, in conjunction, revise DSCR Directive 4120.A, Standardization Program, to clearly delineate the Product Centers and Qualification Activity responsibilities with respect to QPL product nonconformance. The revision of DSCR Directive 4120.A should be completed with ECD: by the end of January 2002.

Disposition:

- (X) Action is ongoing. ECD: End of January 2002
- () Action is consider complete.

- b. Conduct training sessions for all technical and quality assurance personnel at each Product Center. The training should be completed with ECD: by end of July 2002.

Disposition:

- (X) Action is ongoing. ECD: End of July 2002
- () Action is consider complete.

Attachment I

Recommendation No. 4: Require that the databases contain complete, pertinent and current information that can distinctly identify qualified NSNs and determine whether the QPLs are managed by the Military Departments or by Defense Supply Center Richmond.

DLA Comments: Concur. DSCR proposes to take corrective actions as stated below.

- a. Build an additional table into the DSCR Decision Support Database to link qualified NSNs to QPLs and its associated Qualifying Activity in order to determine whether the QPLs are managed by the Military Departments or by Defense Supply Richmond. The additional table should be completed with ECD: by the end of March 2002.

Disposition:

- (X) Action is ongoing. ECD: End of March 2002
() Action is consider complete.

- b. Establish a quarterly report associating DSCR managed NSNs with their respective procurement specifications for the Standardization Program Branch at DSCR. The reports will facilitate management oversight of the NSNs against QPLs. The establishment of the quarterly report should be completed with ECD: by end of July 2002.

Disposition:

- (X) Action is ongoing. ECD: End of end of July 2002
() Action is consider complete.

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**DRAFT EVALUATION REPORT
EVALUATION OF THE DEFENSE SUPPLY CENTER RICHMOND
QUALIFIED PRODUCTS LISTS PROGRAM
(PROJECT NO. D200IPT-0023)**

GENERAL COMMENTS

The Qualified Product Lists (QPL) Program is a DoD Program which Military Services are responsible for managing 70% of the total of 855 QPLs that were in use as of June 2001. More than 60% of the 599 QPLs managed by Military Services are dated prior to 1999, and are, therefore, more than 2 years old. By contrast, of the remaining 30% of QPLs managed by DLA, only 16% are dated prior to 1999. These numbers would seem to indicate that DLA is doing a far better job of managing DoD QPLs than Military Services.

DSCRs conduct of the QPL Program has lagged somewhat behind other DLA Inventory Control Points (ICPs) due to the unique situation under which DSCR became a qualifying activity. Military Services transferred thousands of specifications to DLA in 1995 as a result of the MilSpec Reform Initiative in 1994 by then Secretary of Defense, William Perry. DSCR alone among the other ICPs had no experience as a qualifying activity and no resources trained in the conduct of this program at the time of the document transfers. DSCR went from a specification preparing activity (SPA) with a few dozen specifications to a SPA with over 2,400 specifications, about 40 of which required QPL Program management, in two years.

The condition of the historical files for the specifications and their associated QPLs, which were transferred to DSCR, was poor. The QPLs had not been routinely maintained and were considerably out of date. A major effort was necessary to update the transferred QPLs to DSCR, a process that began prior to the beginning of the Inspector General's evaluation.

When QPLs are maintained properly, the customer wait time for the procurement and distribution of QPL products to war fighters are substantially better than non-QPL products. QPLs maintained by Military Services have a greater impact on our ability to procure and provide QPL products in a timely manner than do QPLs managed by DSCR. Should DSCR maintained QPLs present an obstacle to the purchase of qualified products by the DSCR procurement activities, we are in the unique position of being able to redirect our resources as necessary to overcome that obstacle. This ability to direct resources to insure the routine operation of the QPL program does not extend to QPLs managed by Military Services. When DSCR as the buying activity approaches Military Service with a procurement problem affecting by their specifications and its associated QPL, resolution of the problem is seldom timely. In those cases, we have to rely on the Military Services to help resolve our procurement problems.

The DoD IG evaluation of the QPL program as implemented by DLA will not yield an accurate indication of the overall health of the DoD QPL Program and our ability to provide QPL products to the war fighter. Since DoD activities are responsible for managing most of the QPLs and most of them are out of date, no evaluation of the QPL Program can be complete without a review of the total DoD's allocation of resources and funding for the QPL Program. We still maintain that DoD IG should perform a program review of the Military Services' QPL Program, as we indicated in our entrance brief with the DoD IG in November 2000.

Attachment 2

SPECIFIC COMMENTS

Pg i

1. Executive Summary Page, **Introduction**, third sentence: After "... of 40", insert "Military Specifications containing qualification and the associated". REASON: The military specification containing qualification and their associated Qualified Products Lists (QPLs) were transferred to the Defense Supply Center Richmond (DSCR). Both the military specification and the associated QPL require review, monitoring, updating and so forth. Both documents need resources to maintain them in a current status.

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2. Executive Summary Page, **Results**, first sentence: Delete "specifications and contractors" and substitute "government designation status, and qualified manufacturers (and authorized distributors)". REASON: QPLs list qualified products (which are usually the government designation such as the part number, class, or type from the military specification) and manufacturers (and authorized distributors); not list specifications and contractors.

Pg 1

3. Page 1, **Background**, first paragraph, first sentence: Delete "and Qualified Manufacturers List (QML)". REASON: Congress only mandated the QPL Program in 1956.

Pg 1

4. Page 1, **Background**, second paragraph, first sentence: Delete "approved manufacturers and distributors" and substitute "of products that have met the qualification requirements stated in the applicable specification, including appropriate product identification and test or qualification reference with the name and plant address of the manufacturer and distributor, as applicable". REASON: QPL is aimed at the product that has met a qualification requirement in a military specification.

Pg 1

5. Page 1, **Background**, second paragraph, second sentence: Delete. This is not a true statement.

Pg 1

6. Page 1, **Background**, second paragraph, last two sentences: Delete and substitute: "Policies and procedures for the Qualification Program (QPL and QML) are contained in Appendix B of DoD 4120.24-M". REASON: Qualification policies and procedures are in the DoD Standardization Manual; not the SD-6. The SD-6 is a publication provided to manufacturers that are interested in applying for qualification by the qualifying activity.

Pg 2

7. Page 2, **Review and Recertification**, first sentence: Delete and substitute: "The Preparing Activity shall review specifications having the requirement for qualification every 2 years to determine the need to continue the qualification requirement."

Pg 2

8. Page 2, **Review and Recertification**, last sentence: Delete and substitute: "To obtain qualification approval of products, one of the following actions is required: a. Certification by the manufacturer (submittal of a DD 1718 'Certification of Qualified Products'; b. Periodic submission of new test data, as may be required in the specification; or c. Complete requalification testing, as may be required in the specification or by the Qualifying Activity."

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9. Page 2, **QPL Program at Defense Supply Center Richmond**, second paragraph, lines 6 and 7: Delete "Defense Standardization Program Office document SD-6, 'Qualified Products List and Qualified Manufacturers List, ' August 1999" and substitute "DoD 4120.24-M".

10. Page 4, **Effectiveness of Management of the Qualified Products List Program**, lines 6 and 7: Same comment as comment 2 above regarding list of specifications and contractors – make the same change.

Pg 4

11. Page 4, **QPL Program Policy**, line 3: Delete “document SD-6” and substitute “4120.24-M”.

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12. Page 5, **Facility Audits**, line 1 and **Review of Specification and Recertification of QPLs**, line 2: Same change as in comment 11 above.

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13. Page 5, **Review of Specification and Recertification of QPLs**: Should rewrite the second and third sentences as recommended in comment 8 above.

Pg 5

14. Page 5, **Review of Specification and Recertification of QPLs**, last sentence: Delete “QPL specifications” and substitute “military specifications containing qualification requirements”.

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15. Page 6, **Deficiency Reporting Program**, first paragraph, line 7: Delete “among QPL contractors” and substitute “with listed QPL products”; and last line: Delete “QPL contractors” and substitute “products”.

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16. Page 7, **Conclusion**, line 12: Delete “lists of qualified contractors” and substitute “QPLs”.

Pg 7

17. Page 7, **Recommendations, recommendation 1**: Delete “and Defense Standardization Program Office Document, SD-6, “Provisions Governing Qualification for QPL and QML Programs”.”; and add after “qualify products”; “and to adequately monitor qualification programs to ensure products that are listed on QPLs meet specification qualification requirements”.

Pg 7

18. Page 7, **Recommendations, recommendation 2**: Delete reference to the SD-6.

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Evaluation Team Members

The Audit Followup and Technical Support Directorate, Office of the Assistant Inspector General for Auditing, DoD, prepared this report.

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